



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

July 26, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES REQUEST FOR
SUBORDINATION OF PASS-THROUGH PAYMENTS TO COUNTY TAXING ENTITIES ON THE
BEACON STREET REDEVELOPMENT PROJECT
(FOURTH DISTRICT) (3 VOTES)**

**JOINT RECOMMENDATION OF THE CHIEF ADMINISTRATIVE OFFICER, THE ACTING
DIRECTOR OF PUBLIC WORKS, AND THE FIRE CHIEF THAT YOUR BOARD:**

Approve a Resolution subordinating the County of Los Angeles', Flood Control District's, and Fire Department's right to receive pass-through payments from the Community Redevelopment Agency of the City of Los Angeles' (Agency) Beacon Street Redevelopment Project (Beacon Street Project) to Agency's Series C tax allocation bonds (Bonds) only, and not any future, parity indebtedness.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Beacon Street Project was adopted on April 21, 1969. The Agency is preparing to issue a third series of bonds for the purpose of financing a portion of redevelopment activities. The subordination is required by law on a timely Agency request and showing that sufficient funds to pay both debt service and pass-through payments to affected taxing agencies will be available when payments are due.

Implementation of Strategic Plan Goals

This action supports the following County Strategic Plan Goal:

Goal 4: **Fiscal Responsibility:** Strengthen the County's fiscal capacity.

FISCAL IMPACT/FINANCING

Health and Safety Code Section 33607.5(e) provides that pass-through payments to the Taxing Entities may be subordinated to the Agency's payments for debt service. The County may disapprove a request for subordination only if it finds, based on substantial evidence, that the

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEY YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

Agency will not be able to pay both the debt service payments and the pass-through payments to the Taxing Entities. Agency's tax increment projections, reviewed by CAO staff, indicate that there will be sufficient coverage to satisfy the debt service on the Bonds, and the required pass-through payments to the Taxing Entities.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

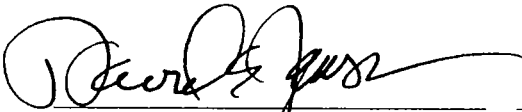
Section 33607.5(e)(3) provides: "If the affected taxing entity does not act within 45 days after receipt of the agency's request, the request to subordinate shall be deemed approved and shall be final and conclusive." The Agency requested subordination for both the Bonds and "any parity indebtedness." The Agency has made similar requests in the past; your Board has declined to approve subordination on future indebtedness. County Counsel recommends approving subordination to the proposed Series C Bonds only, and not granting approval for "any parity indebtedness", i.e., future debt with equal claim on Project tax increment. County Counsel once again recommends the County retain the right to review future indebtedness on a case-by-case basis.

Accordingly, we will review the facts of any future subordination request. Failure to act prior to the 45 day after receipt of the request (July 30, 2005) constitutes County approval of the Agency's request to subordinate to the Bonds and "any parity indebtedness".

CONCLUSION

At such time as the recommendation is approved by your Board, please return one copy of this letter and Resolution to the Chief Administrative Office, Office of Unincorporated Area Services and Special Projects, and one copy of the letter and Resolution to the Auditor-Controller, Tax Division.

Respectfully submitted,



DAVID E. JANSSEN
Chief Administrative Officer

DEJ:DLW:PMF
MKZ:RTM:os

Respectfully submitted,



DONALD L. WOLFE
Acting Director of Public Works

Respectfully submitted,



P. MICHAEL FREEMAN
Fire Chief

Attachment

c: Auditor-Controller
County Counsel
Chief Financial Officer, Los Angeles Redevelopment Agency

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF
LOS ANGELES TO SUBORDINATE THE COUNTY TAXING ENTITIES' RIGHT TO RECEIVE
PASS-THROUGH PAYMENTS TO THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES BEACON STREET PROJECT**

WHEREAS, the City Council of the City of Los Angeles on April 21, 1969 adopted a Redevelopment Plan for the Beacon Street Redevelopment Project (the "Beacon Street Project"); and

WHEREAS, the Community Redevelopment Agency of the City of Los Angeles (the "Agency") on June 15, 2005 by letter advised its intention to issue an additional series of parity tax allocation bonds (the "Series C Bonds") payable from and secured by a pledge of certain Beacon Street Project tax increment revenues, and requested of the County of Los Angeles (the "County") the Los Angeles County Consolidated Fire Protection District ("the Fire District") and the Los Angeles County Flood Control District ("the Flood Control District") that any and all payments which the County, the Fire District, and the Flood Control District are entitled to receive pursuant to Health & Safety Code Section 33607.5 ("Section 33607.5") from the Beacon Street Project be subordinated to the Agency's payments of principal and interest on the Series C Bonds; and

WHEREAS, the requested subordination does not lessen or eliminate the Agency's obligation to make the required payments to the County, the Fire District, and the Flood Control District under Section 33607.5 and is intended to permit the Agency to obtain a higher credit rating on its bonds and thus lower the Agency's financing costs; and

WHEREAS, Section 33607.5 provides that at the time the redevelopment agency requests an affected taxing entity to subordinate the amount to be paid to it, the agency shall provide substantial evidence that sufficient funds will be available to pay both the debt service and the required payments to the taxing entity, that the taxing entity must approve or disapprove the request for subordination within 45 days after the receipt of a letter requesting such subordination, and that the taxing entity may disapprove the request only if it finds, based upon substantial evidence, that the agency will not be able to pay the debt payments and the amount required to be paid to the taxing entity under Section 33607.5; and

WHEREAS, the Agency has presented evidence demonstrating its ability to make the required payments to the County, the Fire District, and the Flood Control District after payment of debt service on the Beacon Street Project Series C Bonds.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Los Angeles that:

The County, the Fire District, and the Flood Control District hereby agree that so long as the Beacon Street Project Series C Bonds remain outstanding, any and all payments which the County, the Fire District, and the Flood Control District are entitled to receive from the Beacon Street Project pursuant to Section 33607.5 shall be and shall remain subordinate to the payments pledged from the Beacon Street Project to pay the principal of and interest on the Series C Bonds.

Subordinate the County's Right to Receive
Pass-Through Payments to the Community
Redevelopment Agency of the
City of Los Angeles Beacon Street Project
Page 2 of 2


The foregoing resolution was on the ____ day of July 2005, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which the Board so acts.

VIOLET VARONA-LUKENS
Executive Officer-Clerk of the Board of
Supervisors of the County of Los Angeles

By _____
Deputy

APPROVED AS TO FORM

RAYMOND G. FORTNER, JR.
County Counsel

By 
Thomas M. Tyrrell
Principal Deputy County Counsel